



GAMAGARA Local Municipality (NC 453)

Adjustments Budget 2011/12

ADJUSTMENTS BUDGET 2011/2012

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1. Introduction

Tabled today is the Adjustments Annual Budget 2011/12 referred to in section 28 (2) (b), (c) and (f) in the budget regulations made in terms of section 168 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) hereinafter denoted as the Act -

1.1. S28. Municipal adjustments budgets

- 1) A municipality may revise an approved annual budget through an adjustments budget.
- 2) An adjustments budget-
 - a) must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;
 - b) *may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programs already budgeted for;*
 - c) *may within a prescribed framework, authorize unforeseeable and unavoidable expenditure recommended by the mayor of the municipality*
 - d) may authorise the utilisation of projected savings in one vote towards spending under another vote;
 - e) may authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;
 - f) *may correct any errors in the annual budget.*

The tabling of the Adjustments Budget 2011/12 would therefore be as council resolved (*Council Minutes – 2012.01.30*) on the recommendation in the Mid-Year Budget and Performance Assessment report to revise revenue and expenditure projections in the approved annual budget 2011/12.

2. Adjustments Budget's impact on the approved annual budget 2011/12

An explanation, as required in terms of section 28 (5) of the Act will be as a result of the material changes to the approved annual budget.

Extracts of the annual budgets further below indicates;

- Revised projections for expenditure appropriations in both the operating and capital budget will include unforeseen unavoidable expenditure - (MFMA S29) and;
- Other adjustments for the period under review -
- additional revenue in terms section 28 (2) (b) of the Act are from;
 - Government grants/ subsidies,
 - Unspent funds at the end of the past financial year
 - Public donations and insurance claims

2.1 Operating Revenue

The summary of the revised operating revenue projections adjusted to total R26.5m in the Financial Performance budgeted – revenue and expenditure (Table B4) which consists of the necessary descriptions of the various adjustment items as seen below, serve as a review of the increase of the total revenue budget from R173m to R199.5m

2.2 Additional Revenue and Revised Operating Revenue Projections

NC453 Gamagara - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) -

Description	Ref	Budget Year 2011/12								
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands	1	A	A1	B	C	D	E	F	G	H
Revenue By Source										
Property rates	2	17 168	-	-	-	-	-	-	-	17 168
Property rates - penalties & collection charges		-							-	-
Service charges - electricity revenue	2	69 504	-	-	-	-	-	-	-	69 504
Service charges - water revenue	2	26 468	-	-	-	-	-	-	-	26 468
Service charges - sanitation revenue	2	9 146	-	-	-	-	-	-	-	9 146
Service charges - refuse revenue	2	9 088	-	-	-	-	-	-	-	9 088
Service charges - other		1 277							-	1 277
Rental of facilities and equipment		1 772							-	1 772
Interest earned - external investments		1 500						(1 000)	(1 000)	500
Interest earned - outstanding debtors		-							-	-
Dividends received		-							-	-
Fines		363							-	363
Licences and permits		683							-	683
Agency services		1 417							-	1 417
Transfers recognised - operating		20 996		3 485			15 780	250	19 515	40 511
Other revenue	2	13 138	-	-	-	-	-	8 009	8 009	21 148
Gains on disposal of PPE		500							-	500
Total Revenue (excluding capital transfers and contributions)		173 020	-	3 485	-	-	15 780	7 259	26 524	199 545

- R80 416 and R3 405 199 total the funds unspent as at the end of the past financial year from the library's conditional grant and the housing subsidy respectively.
- Additional funds for the Olifantshoek and Sesheng housing projects received in the interim of the six months ending 31 December 2011 amounts to R15 542 983, added to
- R236 875 from the Department of Water Affairs (DWA) for the water quality program
- The downward adjustment of (R1000 000) is the interest anticipated on investments and this is as a result of insufficient funds to invest for longer periods.
- R250 000 is a correction adjustment and
- the other revenue of R8.9m comprise of proceeds on the sale of land, insurance claims and public donations.

3. Operating Expenditure

Depicted below, is the entire operating expenditure budget of the municipality with the necessary indications of the significant increases of the revised expenditure appropriations.

Although the transfers and grants' adjustments adds up to a greater portion of the R34.5m escalation to increase the operating expenditure budget from R150m to R184.6m, a quick explanation of this line item would be that these grant receipts are ring-fenced to meet their respective conditions but it will be the detail of the unforeseen and unavoidable expenditure seen below.

3.1 Unforeseen an Unavoidable Expenditure/ Other Adjustments

NC453 Gamagara - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) -

Description	Ref	Budget Year 2011/12								
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands	1	A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H
Expenditure By Type										
Employee related costs		54 595	-	-	-	1 989	-	(719)	1 271	55 866
Remuneration of councillors		2 209							-	2 209
Debt impairment		2 000							-	2 000
Depreciation & asset impairment		9 138	-	-	-	-	-	-	-	9 138
Finance charges		7 500				3 000			3 000	10 500
Bulk purchases		43 386	-	-	-	-	-	-	-	43 386
Other materials		-	-	-	-	-	-	-	-	-
Contracted services		1 287	-	-	-	720	-	-	720	2 007
Transfers and grants		2 797		3 485			15 780	(80)	19 185	21 982
Other expenditure		27 162	-	-	-	9 868	-	550	10 418	37 580
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-
Total Expenditure		150 075	-	3 485	-	15 578	15 780	(249)	34 594	184 669

- R19.1m will be conditional grant expenditure
- A breakdown of the proposed employee related costs' adjustments will be as follows:
 - Overtime for the six months ending 31 December 2011, exceeded 82% of the allocated budget and has therefore been revised by R1.5m to total R4.5m. This is indeed a serious concern and a call has been made on all the respective managers to heed drastic measures that would restrain this onslaught on the resources of the municipality.
 - R489 396 is the proposed allocation to the revised adjustments budget for salaries and allowances of deputy managers, level four officials and traffic officers calculated for six months (Jan'2012 – Jun'2012) as follows:

Officials	Salary Adjustments	Car Allowance	Cellphone Allowance	Essential Scheme Allowance	Total
Deputy Managers (4)	R60 264	R 45 042	R1 176		R106 482
Level Four (13)	-	R256 592		R36 428	R291 844
Traffic Officers (5)	-			R91 070	R 91 070

R489 396

- R3m – has been added to the bi-annual payment of interest on the DBSA loan
- (R719 000) represents projected savings adjusted in terms of section 28 (2) (d) of the Act to fund the aforementioned adjustments of employee related costs.
- R720 000 – Security services procured for seven months since December 2011
- (R80 000) – error correction in terms section 28 (2) (f) of the Act
- R10.4m amounts to 'Other Expenditure' detailed as follows:

3.2 Other Expenditure Adjustments

HC43 Gungahra - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) -

Description	Ref	Budget Year 2017/18								
		Original Budget	Proposed Adjusted	Actual Funds	Mid-year costs	Unforeseen	Net or Prov Gov	Other Adjusts	Revised Adjusts	Adjusted Budget
		A	B	C	D	E	F	G	H	I
		£ thousands	-	A	B	C	D	E	F	G
Other Expenditure By Type										
Collection costs		750							-	-
Contributions to 'other' provisions		-							-	-
Consultant fees		445				885			885	1 330
Audit fees		1 000				300		550	850	1 850
General expenses	3.5	11 253				(1 021)			(1 021)	10 232
Communication		1 429				-			-	1 429
Fuel		1 647				728			728	2 376
Repairs and Maintenance		5 457				6 925			6 925	12 382
Service charges - Own Consumption		1 912				-			-	1 912
Subsistence, Travel & Accommodation		1 020				1 500			1 500	2 520
Insurance		800				200			200	1 000
Training levies		648				251			251	899
Ward Committee Activities & Training		400				100			100	500
Youth Development Programmes		400				-			-	400
Total Other Expenditure	1	27 162	-	-	-	9 868	-	550	10 418	37 580

NB. – Amounts are per thousands

General expenses, after inserting other expenditure of material nature would equal only 5% of the total operating expenditure budget, which is well within requirement of 10% in terms of the budget regulations

- Consultant fees - an upward adjustment is as a result of specialized services which will include professional fees for Infrastructure Services' activities.
- Audit fees – to fund potential escalations
- Fuel - Petro/Diesel – mainly influenced by constant price fluctuations.
- Repairs and maintenance – ageing infrastructure in key services functions being the main contributor of this material upward adjustment, needs urgent attention.
- Subsistence and travel – mandatory training in the current financial year has been excessive but the review of policy will be necessary to control this priority spending.
- Insurance – a consideration of interim increases
- Training levies – this upward adjustment will be in line with the aforementioned training needs
- Ward committees – an adjustment aimed to support functionality of these important structures

4. Capital Expenditure/ Funding

NC453 Gamagara - Table B5 Adjustments Capital Expenditure Budget by vote and funding -

Description	Ref	Budget Year 2011/12								
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget
		A	5 A1	6 B	7 C	8 D	9 E	10 F	11 G	12 H
R thousands										
Capital expenditure - Vote										
Multi-year expenditure to be adjusted	2									
Vote 1 - Mayor's Office		100	-	-	-	-	-	-	-	100
Vote 2 - Municipal Manager		-	-	-	-	-	-	-	-	-
Vote 3 - Budget & Treasury Office		-	-	-	-	-	-	-	-	-
Vote 4 - Corporate Services		4 200	-	-	-	-	-	(2 000)	(2 000)	2 200
Vote 5 - Infrastructure & Services		3 375	-	-	-	-	-	(3 375)	(3 375)	-
Vote 6 - Community & Social Services		800	-	-	-	-	-	(200)	(200)	600
Vote 7 - Shared Services		470	-	-	-	-	-	(130)	(130)	340
Vote 8 - Electricity		-	-	-	-	-	-	-	-	-
Vote 9 - Water		14 445	-	-	-	-	-	(3 245)	(3 245)	11 200
Vote 10 - Sanitation		12 112	-	-	-	-	-	-	-	12 112
Vote 11 - Refuse		3 100	-	-	-	-	-	(2 100)	(2 100)	1 000
Vote 12 - Example 12		-	-	-	-	-	-	-	-	-
Vote 13 - Example 13		-	-	-	-	-	-	-	-	-
Vote 14 - Example 14		-	-	-	-	-	-	-	-	-
Vote 15 - Example 15		-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	3	38 602	-	-	-	-	-	(11 050)	(11 050)	27 552
Single-year expenditure to be adjusted	2									
Vote 1 - Mayor's Office		177	-	-	-	693	-	(20)	673	850
Vote 2 - Municipal Manager		60	-	-	-	-	-	(7)	(7)	53
Vote 3 - Budget & Treasury Office		147	-	-	-	-	-	-	-	147
Vote 4 - Corporate Services		869	-	-	-	906	-	(300)	606	1 475
Vote 5 - Infrastructure & Services		205	-	-	-	176	-	763	940	1 145
Vote 6 - Community & Social Services		8 538	-	-	-	-	-	(1 777)	(1 777)	6 762
Vote 7 - Shared Services		668	-	-	-	-	-	(217)	(217)	451
Vote 8 - Electricity		8 793	-	-	-	-	(1 460)	(0)	(1 460)	7 333
Vote 9 - Water		365	-	-	-	210	-	-	210	575
Vote 10 - Sanitation		2 292	-	-	-	1 000	8 400	(100)	9 300	11 592
Vote 11 - Refuse		2 145	-	-	-	-	-	(830)	(830)	1 315
Vote 12 - Example 12		-	-	-	-	-	-	-	-	-
Vote 13 - Example 13		-	-	-	-	-	-	-	-	-
Vote 14 - Example 14		-	-	-	-	-	-	-	-	-
Vote 15 - Example 15		-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		24 259	-	-	-	2 985	6 940	(2 487)	7 438	31 697
Total Capital Expenditure - Vote		62 861	-	-	-	2 985	6 940	(13 537)	(3 612)	59 249

A decrease of the capital budget from R62.8m to R59.2m is as a result of necessary cutbacks of expenditure projections to maintain a funded capital investment program and although a National Treasury's call on non-priority spending has been heeded, not much could be prevented in the acquisition of nice-to-have items by mid-year.

Instead, reductions of expenditure appropriations could be agreed on activities/projects mainly not having any move towards implementation by mid-year, 31 December 2011 and R13.5m has been the result in total from both multi-year and single-year expenditure allocations as seen above.

5. Capital Expenditure Funding

The sources of funding for the capital investment program (MTEF) are as follows:

- Government grants
- Public contributions and
- Internally generated funds

NC453 Gamagara - Table B5 Adjustments Capital Expenditure Budget by vote and funding -

Description	Ref	Budget Year 2011/12								
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget
R thousands		A	5 A1	6 B	7 C	8 D	9 E	10 F	11 G	12 H
Total Capital Expenditure - Standard	3	62 861	-	-	-	2 948	6 940	(13 500)	(3 612)	59 249
Funded by:										
National Government		17 782					8 400	(1 460)	6 940	24 722
Provincial Government		3 887							-	3 887
District Municipality		-							-	-
Other transfers and grants		-							-	-
Total Capital transfers recognised	4	21 670	-	-	-	-	8 400	(1 460)	6 940	28 609
Public contributions & donations		18 245						(2 482)	(2 482)	15 763
Borrowing		-							-	-
Internally generated funds		22 946				(8 070)			(8 070)	14 876
Total Capital Funding		62 861	-	-	-	(8 070)	8 400	(3 942)	(3 612)	59 249

(R1.4m) – is a reduction of the R3.5m Integrated National Electrification Grant (INEG) provision.

Public contributions reduced by R3.2m (R9.2m to R6m for a water project) will constitute an error correction in terms of section 28(2)(f). The project's cost has therefore been reduced to the final contribution of R6m.

5.1. Additional Funding

R8.4m is from the Department of Water Affairs (DWA) for a Sewer Network project (*Upgrading of Sewer Pump Station – Kathu*)

R763 490 - being public contributions for an access road in Dibeng

An Adjusted Three-Year Capital Program 2011 -2014 herewith, consist of the necessary detail on all the projects in the capital budget.

6. Recommendation

That council approves the Adjustments Budget 2010/11 in terms of budget regulation 25, sub-regulation (3)- [when approving an adjustments budget, a municipal council must consider and adopt separate resolutions dealing with matters listed in item 4 of Schedule B] i.e. considering matters referred to in section 28 (2) (b) (c) (d) and (f) of the Act.

7. B-SCHEDULES: ADJUSTMENTS BUDGET 2011/12

8. ADJUSTED CAPITAL BUDGET
(THREE-YEAR CAPITAL PLAN 2011 – 2014)